

UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:) Case No. 20-30968
WATSON VALVE SERVICES, INC.)
Debtor.) Chapter 11
)
)

**DECLARATION OF JOHN WATSON IN SUPPORT OF
OBJECTION TO PROOF OF CLAIM NO. 33 AND PROOF OF CLAIM
FILED BY AMUR HYDROMETALLURGICAL PLANT, L.L.C.**

I, JOHN WATSON, hereby declare under penalty of perjury:

1. I am the former chief executive officer of Watson Valve Services, Inc. (“Valve”).

I am generally familiar with (a) Valve’s operations prior to the appointment of Valve’s chapter 11 trustee, (b) the contract dated December 27, 2019 (the “Contract”), between Valve and Amur Hydrometallurgical Plant, L.L.C. (“Amur HMP”) for the sale of severe service ball valves and related items (the “Goods”) to be used by Amur HMP in its gold mining facility in Russia, (c) Valve’s performance under the Contract, and (d) and Valve’s chapter 11 bankruptcy case.

2. I have read *John Watson’s Objection to Proof of Claim No. 33 Filed by Amur Hydrometallurgical Plant, L.L.C.* (the “Amur HMP Claim Objection”), filed contemporaneously herewith.¹ I believe that the factual assertions made in the Amur HMP Claim Objection are true. The legal conclusions therein are my understandings of those legal points.

3. Valve designed, and through purchase orders issued to subcontractors (which historically included Watson Grinding & Manufacturing Co. (“Grinding”) and other grinding

¹ Capitalized but undefined terms herein shall have the same meaning ascribed to them as in the Amur HMP Claim Objection.

facilities), supplied specialty and custom valves for the severe service ball valve market worldwide, with a particular focus on valves used in oil and gas and gold mining operations.

4. It was Valves' normal business to market, design, and engineer severe service ball valves. Valve would also provide its customers with repair service for valves, where the repair work was done through purchase orders issued to third parties like Grinding or other third-party providers to actually do the fabrication. Valve was always the direct contracting party for the sales or repair work.

5. Valve only had 5-6 employees and did not perform the actual fabrication or repair of valves. After valves were sold to a customer, Valve would perform the design and engineering work and issue a purchase order to Grinding or another machine shop to perform the fabrication of the valves. The valves would be sent to Valve after fabrication and it would perform quality control testing and, if acceptable, pack and ship the valves to the customer.

6. The Contract was the culmination of substantial time and effort by Valve and protracted negotiation with Amur HMP. Valve began investigating a bid for the work in early 2019 and representatives from Valve and Amur HMP met in April 2019 to discuss potential terms. On or about August 29, 2019, Valve submitted a bid-proposal to Amur HMP to supply the Goods for the Project. Amur HMP awarded the Contract to Valve on or about September 11, 2019, and asked Valve to begin the required work immediately, prior to execution of the Contract. Valve Complied with Amur HMP's request. I believe that Amur HNP did not solicit bids for the essential required valves for its project from any other person other than Valve, and I believe that only Valve submitted a bid for the valves required by Amur HMP

7. Valve entered into the definitive Contract with Amur HMP on December 27, 2019. I believe that the copy of the Contract attached as Exhibit A to Claim No. 33 is an accurate copy

of the Contract. It was and remains my understanding that the \$572, 281.86 Advance Payment was due and earned immediately upon Valve signing the Contract and sending an invoice for the Advance Payment to Amur HMP. Amur HMP made the Advance Payment to Valve on January 23, 2020.

8. On January 24, 2020, an explosion (the “January 24 Explosion”) occurred on the property of Watson Grinding & Manufacturing Co. (“Grinding”). Valve’s facilities were significantly damaged and rendered unusable for Valve’s business, causing an interruption in Valve’s operations.

9. Despite the disruption caused by the January 24 Explosion, Valve endeavored to continue its design and engineering work after the Petition Date. Such work continued until Valve effectively ran out of money and decided to sell its assets.

10. It was and remains my belief that Valve and Amur HMP had arrived at an understanding that the Advance Payment would not be returned to Amur HMP if Valve completed the essential engineering and design drawings such that Amur HMP could use that essential information and obtain an alternative provider of the Goods.

11. Valve completed the required engineering and design work necessary for Valve to provide the approved drawings for the valve fabrication for Amur HMP. This pre-petition and post-petition engineering and design work consisted of hundreds of hours of engineering work by Valve and culminated in finished drawings and technical documents from Valve (the “Valve Drawings”) for Amur HMP as called for by the Contract.

12. Process Plants International (“PPI”) in conjunction with JB Valve LLC—founded by Robert White and Jason White—has continued to perform the work contemplated under the Contract for Amur HMP. The ball and seats for the Goods—the critical valve elements—are being

or have been manufactured in Houston. In January 2021, Curtis-Wright Corporation or an affiliate thereof began providing critical coatings for certain components of the Goods in Houston. It is my belief that the Goods were on schedule to be delivered to Amur HMP on or before April 14, 2021.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 3, 2021
Houston, Texas

By: *John M. Watson*
John M. Watson (Mar 3, 2021 15:56 CST)
John Watson

Watson - Declaration of John Watson iso Amur HMP Objection

Final Audit Report

2021-03-03

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